

IPO Details	
<b>Opening Date</b>	Sep 12, 2022
<b>Closing Date</b>	Sep 14, 2022
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	3000 Shares
<b>Issue Price</b>	₹ 48 per share
<b>Issue Size</b>	10,86,000 Equity Shares
<b>Application Amount</b>	₹ 1,44,000

IPO Objective	
Funding Working Capital Requirement Repayment / prepayment of certain borrowings availed by the Company	
General Corporate Purpose	

Pre-Issue Shareholding			
Category		No. of Shares	% of Total Shares
Promoter & Promoter Group		28,26,500	99.97%
Public		1,000	0.03%

Promoter of the Company	
1	Mr. Ghanshyambhai Laljibhai Lukhi
2	Mr. Ashokkumar Laljibhai Lukhi

Competitive Strengths	
1	The company believes they are among the few organized players in the Candied Fruit & Fruit Jellies segment of confectionaries with a well-established distribution network
2	Wide spread and established sales and distribution network
3	The company has state-of-the-art manufacturing infrastructure, superior sourcing and stringent quality and food safety procedures
4	Diversified Product Portfolio.
5	Experienced promoter and management team

Company Background	
○	Company was established in the year 1999 as a sole proprietorship firm in Gujarat.
○	Company's product portfolio includes 5 categories viz. - Candied, Crystallised and Glazed Fruit and Vegetable Products ("Candied Fruit"); Fruit Bar, Jellies, Fruit Jam & Fruit Leathers ("Fruit Jellies"); Chutney and Sauces; Beverages and Nutraceutical Products.
○	Company sells its product under the brand names "Tapi", "MumMum" and "Boleto".
○	The manufacturing facility of the company is situated in Surat, Gujarat
○	Company is certified from the ISO 22000:2018 and Food Safety and Standards Authority of India (FSSAI).
○	Company has also made registration of its manufacturing facility with the U.S. Food and Drugs Administration which is valid till December 31, 2022.
○	As on 26 <sup>th</sup> July 2022, the company had 21 employees on its payroll.

Financial Summary			
(In Lacs)			
For the Period Ended	Mar-22	Mar-21	Mar-20
<b>Total Assets</b>	802.88	737.40	589.18
<b>Net Assets</b>	43.02	27.42	17.36
<b>Total Borrowings</b>	533.77	509.35	456.28
<b>Total Revenue</b>	1,522.09	1,312.50	1,145.69
<b>Profit After Tax</b>	21.74	11.05	5.39



# Tapi Food Processing Limited

## Review Report On IPO



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## Company Overview

Tapi Food Processing Limited was incorporated in the year 1999 in Gujarat. The company is engaged in producing Candied, Crystallised and Glazed Fruit and Vegetable Products (“Candied Fruit”); Fruit Bar, Jellies, Fruit Jam & Fruit Leathers (“Fruit Jellies”); Chutney and Sauces; Beverages and Nutraceutical Products. Company is ISO 22000:2018 certified and has also approved USA FDA approval for its manufacturing facility situated in Gujarat.

## Analysis

The company has a good track record of existence and is mainly indulged in the business of manufacturing fruit based products, sauces, beverages and nutraceutical products falling under the FMCG industry which is expected to grow at a CAGR of 14.85% from FY 20 to FY 25.

The product base of the company is diversified in the food segment itself. The following table gives an idea of the products offered by the company –

<b>Candied Fruit</b>	<b>Fruit Jam</b>	<b>Fruit Jellies</b>	<b>Fruit and Leathers</b>	<b>Bars and Fruit</b>	<b>Chutney and Sauces</b>	<b>&amp; Beverages</b>
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Mainly operating in the brand names “Tapi”, “MumMum” and “Boleto”, company claims to sell in 28 states of India and with major market being Gujarat followed by Maharashtra and Goa. The revenue of the company from selling of these products has been around Rs. 15 crores in FY 22. A table summarising the bifurcation of revenue from its product is given in the table below –

(Amount in Lakh)

Particulars	For the yearended March 31, 2022	For the yearended March 31, 2021	For the yearended March 31, 2020
Candied Fruit	169.65	132.77	141.42
Fruit Jellies	1318.19	1135.22	977.40
Chutneys & Sauces	17.08	26.70	2.86
Beverages	4.72	7.31	13.61
Others	6.69	1.31	10.00
<b>Total</b>	<b>1516.33</b>	<b>1303.31</b>	<b>1145.29</b>

As evident from the table, it is seen that the major product for the company over the years has been Fruit Jellies and the revenue from the same is increasing year by year.

Also apart from domestic sales, company also sells through merchant exporters which is considered to be an indirect export. The below graph shows how the company has sold its products through various channels –

**Channel (Amount in Lakh)**



1. Sales from Super-stockists. 2. Merchant Exporters 3. Bulk Trade and Third Party Manufacturing

As on date of filing the prospectus company claims to have around 60 super-stockists and 5 merchant exporters.

Being a manufacturing unit, the company has an installed capacity to produce 1500 MTPA in 1 shift of 10 hours. Company has been operating at 2 shifts and the capacity utilization of the company has been given below –

Product Segment	Fiscal 2020	Fiscal 2021	Fiscal 2022
<b>Units for installed capacity</b> (For 1 shift of 10 hours) (MTPA)	1500	1500	1500
<b>Capacity Utilisation (%) in Financial Year 2022 (MTPA)</b>	55.92%	59.21%	65.15%

Company has been increasing its capacity utilised and has enough capacity yet to be utilised showing that the company would not have any production difficulty due to lack of capacity available.



## **Tapi Food Processing Limited**

### **Review Report On IPO**



To conclude, company has an experience of around 2 decades in the industry and has a diversified product base, but the industry is very competitive with majority of market captured by some reputed brands. The customers in this industry are reluctant to shift their tastes and so despite having enough remaining capacity, the outlook of the company is not that positive.

## Industry Charts

Exhibit 1: Indian FMCG Market Expected to grow at a CAGR of 14.86% from FY 20 to FY 25

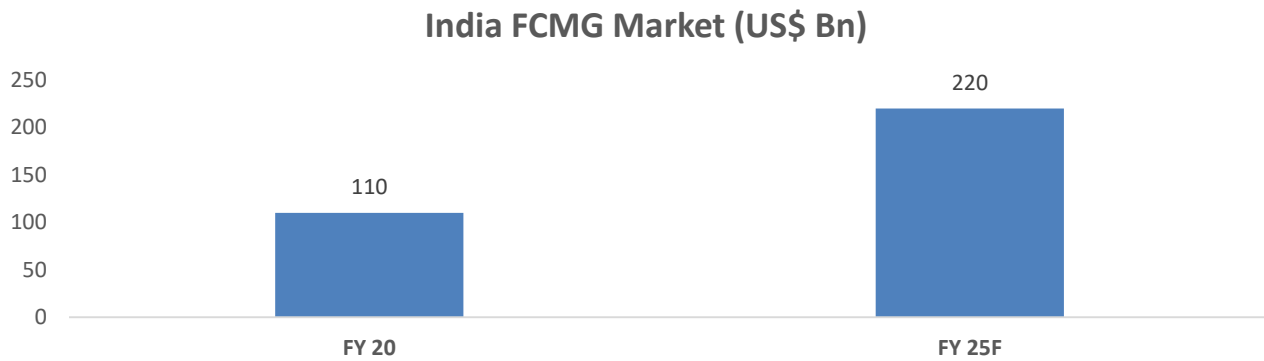


Exhibit 2: Sector Composition of FMCG

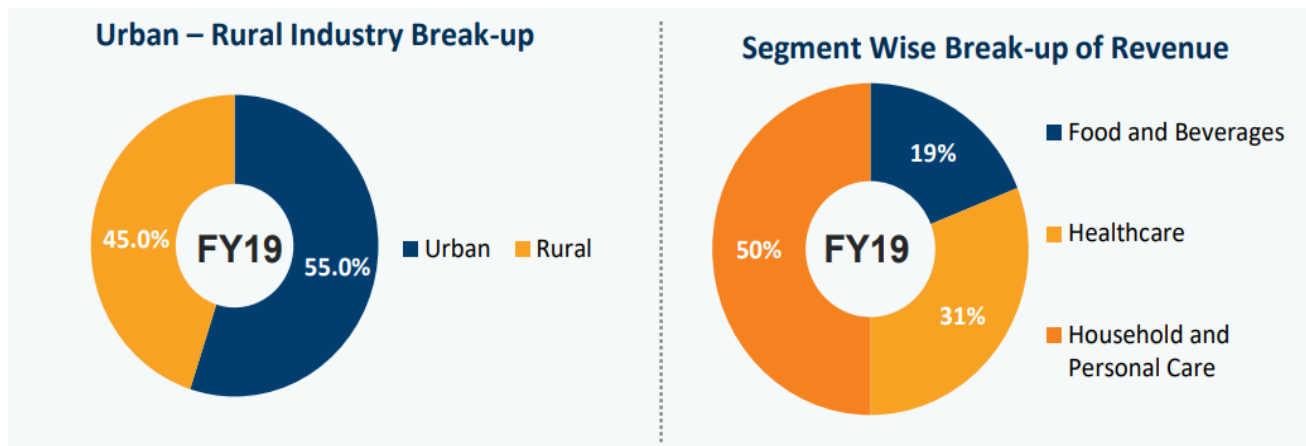
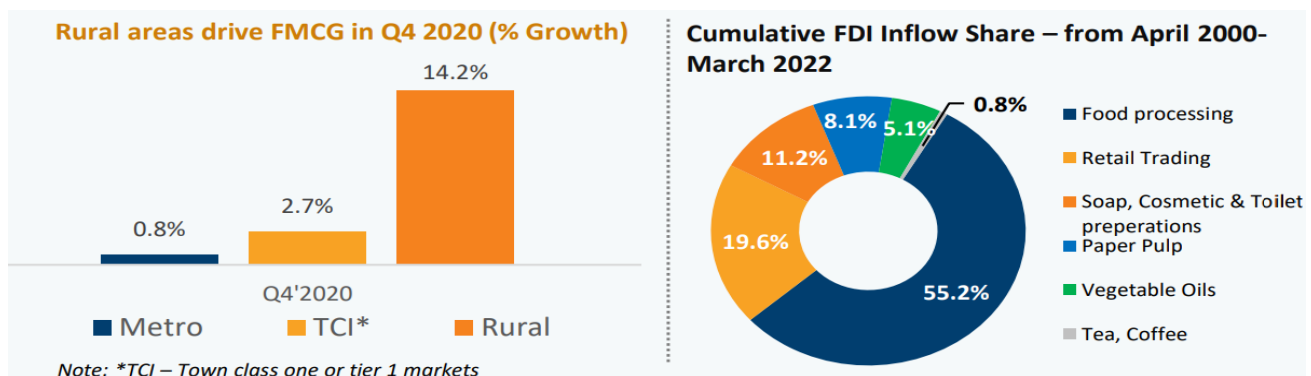


Exhibit 3: Key Trends in FMCG



(Source: ibef.org)

## Investment Overview

### **FMCG Industry**

Fast moving consumer goods (FMCG) is the fourth-largest sector in the Indian economy. There are three main segments in the sector — food and beverages, which accounts for 19% of the sector; healthcare, which accounts for 31% of the share; and household and personal care, which accounts for the remaining 50% share. The urban segment contributes to about 55% of the revenue share, while the rural segment accounts for 45%. Rise in rural consumption will drive the FMCG market. The Indian processed food market is projected to expand to US\$ 470 billion by 2025, up from US\$ 263 billion in 2019-20.

The Indian FMCG industry grew by 16% in CY21 a 9- year high, despite nationwide lockdowns, supported by consumption-led growth and value expansion from higher product prices, particularly for staples. Final consumption expenditure increased at a CAGR of 5.2% during 2015-20. According to Fitch Solutions, real household spending is projected to increase 9.1% YoY in 2021, after contracting >9.3% in 2020 due to economic impact of the pandemic. The FMCG sector's revenue growth will double from 5-6% in FY21 to 10-12% in FY22, according to CRISIL Ratings. Price increases across product categories will offset the impact of rising raw material prices, along with volume growth and resurgence in demand for discretionary items, are driving growth. The domestic FMCG market has grown at 12.6% YoY in Q3 2021.

The Indian online grocery market is estimated to exceed sales of about Rs. 1,310.93 billion (US\$ 17.12 billion) by 2026, at a CAGR of 28.99%. The gross merchandise value (GMV) of the online grocery segment in India is expected to increase 18 times over the next five years to reach US\$ 37 billion by FY25.

(Source: ibef.org)

### **Addressable Market for Tapi Food Processing Limited**

The company is setting up majorly in the domestic market. The company's main region of supply is in the state of Gujarat followed by Maharashtra and Goa. Company has also exported not directly but through merchant exporters. The company in coming times may look to target the export market directly. Company plans to increase its penetration in selected export markets, such as USA and Canada, the MENA region, Africa and Europe

### **Competition**

Company operates in a highly competitive environment. The industry has a plenty of organised and unorganised players in the market. The FMCG industry is highly fragmented and the threat of new entry is also low. The company has a low bargaining power and with the presence of few renowned unlisted brands, the product segment of the company becomes more competitive.

### **Peer Analysis**

As Mentioned in the prospectus, the company has no peers



## Promoters' Profile and Management Analysis

### Mr. Ghanshyambhai Laljibhai Lukhi



- **Mr. Ghanshyambhai Laljibhai Lukhi** is the Promoter and Managing Director of the Company.
- He possesses Bachelor's Degree in Science from South Gujarat University, Master's Degree in Organic Chemistry from South Gujarat University and Bachelor's Degree in Law (General) from The Veer Narmad South Gujarat, Surat.
- He has over 20 years of experience in the food industry.

### Mr. Ashokkumar Laljibhai Lukhi



- **Mr. Ashokkumar Laljibhai Lukhi** is the Promoter and Whole-Time Director of the company.
- He possesses a Bachelor of Commerce Degree from University of South Gujarat in 1998 and Bachelor of Law Degree from University of The Veer Narmad South Gujarat in 2012.
- He presently runs a sole proprietorship firm under the name "Lukhi & Associates" carrying the business of Finance.
- He has 20 years of experience in the Finance Industry.

### **Analysis on the Company's Promoter and Board of Directors**

**Mr. Ghanshyambhai Laljibhai Lukhi** is the Promoter and Managing Director of the company. He possesses Bachelor's Degree in Science from South Gujarat University, Master's Degree in Organic Chemistry from South Gujarat University and Bachelor's Degree in Law (General) from The Veer Narmad South Gujarat, Surat. He was the founder of the company and has more than 20 years of experience the business segment. He is mainly involved in the strategic decisions of the company and is responsible for creating the overall vision of the Company and is actively involved in all techno-commercial departments.

**Mr. Ashokkumar Laljibhai Lukhi** is the Promoter and Whole-Time Director of the company. He possesses a Bachelor of Commerce Degree from University of South Gujarat in 1998 and Bachelor of Law Degree from University of The Veer Narmad South Gujarat in 2012. He has 20 years of experience in the finance field is currently looking after all the financial and strategic matters of the company.

**Mr. Yash Ghanshyambhai Lukhi** is the Executive Director of the company. He has completed his graduation in Bachelor of Technology (Food Technology and Management) in 2021 from National Institute of Food Technology Entrepreneurship and Management, Delhi. He has joined the Company as a Head - Business Development since April 2020 and has experience of 2 years. He is currently responsible to look after Research and Development and Business Development of the Company.

**Mr. Naveen Anand** is the Non-Executive Director of the company. He has no formal education but has experience in the field of marketing and trading of food for more than 20 years. He is the promoter of Maalana Foods Private Limited and also runs a trading firm under the "Freunde Enterprise" which deals in the FMCG Foods Products.

To conclude, both the promoters of the company are well educated and experienced. From the analysis it seems that the strategic and tactical decisions of the company is mainly dependent on its Managing Director of the company. Mr. Yash, executive director of the company is the son of the promoter. He is well educated but does not seem to have enough experience to be the Head of Research and Development of the company. Mr. Naveen although experience is a non-executive director of the company and would not be involved in day-to-day work.

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
<b>Profit and Loss</b>			
Revenue from operation	1,145.29	1,303.31	1,516.33
Other income	0.40	9.19	5.76
Total Revenue	1,145.69	1,312.50	1,522.09
Expenses	1,048.05	1,214.98	1,399.56
Depreciation and Amortisation Cost	44.32	47.14	57.54
Finance Cost	47.93	42.33	43.25
Total Expenses	1,140.30	1,304.45	1,500.35
PBT	5.39	8.05	21.74
PBT Margin	0.47%	0.62%	1.43%
EBITDA	97.64	97.52	122.53
EBITDA Margin	8.53%	7.48%	8.08%
Net Profit	-0.86	10.06	15.60
Net Profit Margin	-0.08%	0.77%	1.03%
<b>Balance Sheet</b>			
Total Borrowings	456.28	509.35	533.77
Net Worth	17.36	27.42	43.02
Fixed Assets	319.97	352.04	385.68
Net Working Capital	-5.74	18.31	32.85
<b>Financial Measures</b>			
Inventory Turnover Ratio	4.43	3.71	4.03
Receivables Turnover Ratio	1.96	2.46	1.83
Payables Turnover Ratio	7.26	4.93	5.22
Fixed Assets Turnover Ratio	3.58	3.70	3.93
Return on Capital Employed	16.91%	13.58%	15.39%
Return on Equity	-4.95%	36.69%	36.26%
Debt-Equity Ratio	26.28	18.58	12.41

(The data has been taken and calculated from the financials given in the prospectus)

### **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**

The EBITDA of the company has grown from Rs. 97.64 lacs in 2020 to 122.53 lacs in 2022 growing at a CAGR of 12.02%. The EBITDA margin in 2022 was 8.08%, 7.48% in 2021 and 8.53% in 2020 showing a reduction in the year 2021 but has re-bounced almost to the levels of 2020.

### **Net Profit**

The net profit of the company has grown from Rs. -0.86 lacs in 2020 to Rs. 15.60 lacs in 2022 growing at a CAGR of 325.91%. The net profit margin of the company was -0.08% in 2020, 0.77% in 2021 and 1.03% in 2022. The company has not been able to generate good profit margins for its shareholders over the years and the growth of net profit at such a rate is not sustainable.

### **Finance Cost.**

The company has incurred finance cost towards Bank Loan and Unsecured Loans taken from Directors and Relative. Out the total final cost around 50% is paid towards unsecured loans.

### **Financial Measures/Ratios**

RoCE of the company in 2022 was 15.39% in 2022 vs 16.91% in 2020. The RoCE has fallen in these years. The infusion of capital would reduce the RoCE more but the part prepayment of loan would help in not reducing the ratio to much extent.

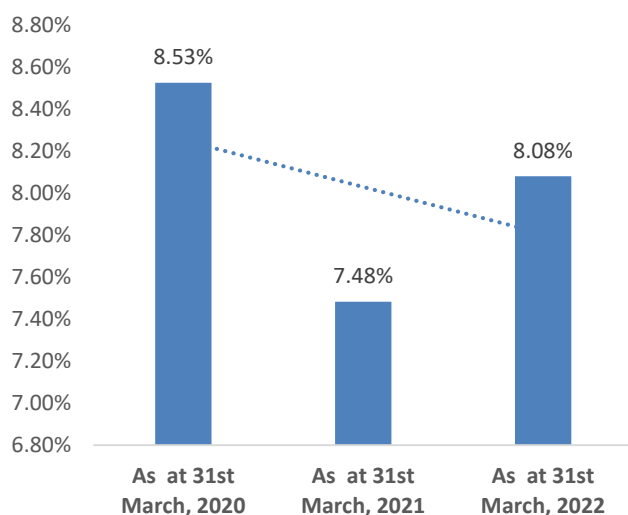
ROE of the company in 2022 was 36.26 vs -4.95% in 2020. The ROE has increased from the levels of 2020 due to substantial increase in the net profit but if we compare it with 2021, the ROE has slightly deteriorated and again with new equity capital coming in the ROE is expected to fall.

The company has been able to effectively manage its inventory but has to look after the efficient management of its payables and receivables as evident from the turnover ratios above.

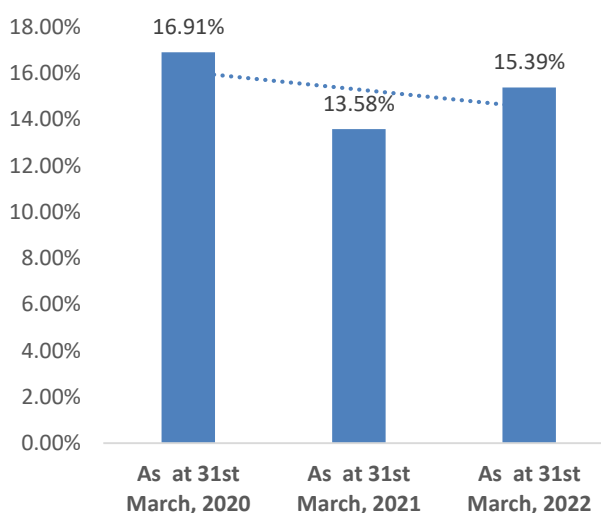
The company has debt-equity ratio of around 12.41 times. The same has been decreasing gradually over the years. The major part of the debt is from unsecured loans from director and relatives. The company plans to part pre-pay its loan from banks and with new equity capital being introduced, the ratio is expected to fall.

### Financial Charts

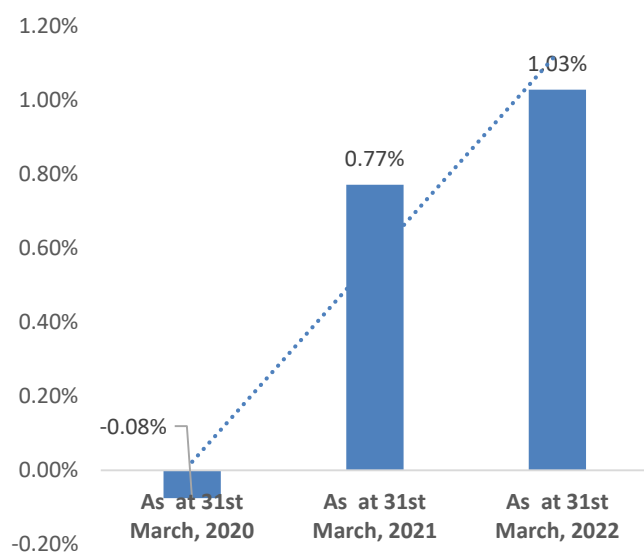
#### EBITDA Margin



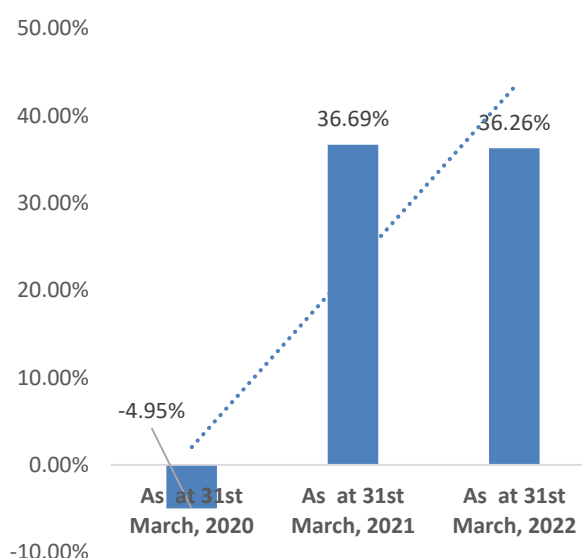
#### Return on Capital Employed



#### Net Profit Margin



#### Return on Equity



## Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 2.29 lacs, which if determined against them, can affect financial conditions of the company.
2. The company mainly uses fruits and vegetables to produce its products and any price fluctuation or seasonal impact may adversely affect the company.
3. Being in a FMCG industry, the company has to give proper attention to its trademark and currently the registration of the company's trademark is pending.
4. The product segment of the company falls under food products and so the company has to strictly follow all the regulatory standards and even a little deviation from the same would impact the company adversely.

## Track Record of Lead Manager

The lead manager to the issue is Fedex Securities Private Limited the previous issue details have been taken from the prospectus. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Company	Issue Size (In Cr)	Issue Closing Date	IPO Price/share (INR)	CMP# (INR)
DC Infotech and Communications Limited	10.80	December 27, 2019	45.00	49.05
Atam Valves Limited	4.50	October 06, 2020	40.00	344.40
Rangoli Tradecomm Limited	45.14	March 22, 2021	207.00	27.75
Rajeshwari Cans Limited	4.03	April 15, 2021	20.00	55.10
Kuberan Global Edu Solutions Limited	1.16	May 05, 2021	20.00	10.62
Aashka Hospitals Limited	101.64	September 01, 2021	121.00	42.00
Euro Panel Products Limited	45.15	December 24, 2021	70.00	118.30
Wherrelz IT Solutions Limited	2.011	December 29, 2021	171.00	132.70
Sunrise Efficient Marketing Limited	16.69	April 12, 2022	121.00	130.00
Le Merite Exports Limited	48.00	May 09, 2022	75.00	69.60
Kesar India Limited	15.82	July 12, 2022	170.00	260.00

**#CMP is taken as on 09<sup>th</sup> September 2022**

Out of the last 10 listings of Fedex Securities, 3 opened at par and rest at premium.

## Financial Snapshot

Being incorporated in the year 1999, the company has a good track record of existence. The company is into the FMCG product which is expected to grow at a pace of around 14% from FY 20 to FY 25.

The revenue of the company has been gradually increasing over the years but is not much looking at the experience of the company. The profit margins are also very low even after sudden increase in net profits from 2021.

The promoter of the company has good experience and education background. The promoter and managing director has been into the business for more than 2 decades but currently it seems that the entire business decision is taken by its managing director only.

To conclude, the company has not been able to generate good profit margins though been in the industry for so long. The industry is very competitive with many famous brands and the consumers in this industry are reluctant to shift. So it is better to **avoid applying** in the IPO.



## Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

**We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.**